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## Why Take This Course?

Do you ever wish you knew more about personal finance? No matter where you are in your financial journey, there always is more to learn. SAM's free online courses are not intended as financial advice, but as a starting point to raise awareness, to increase skills and knowledge related to personal finance, and to guide you to helpful resources.

Research shows that financial education is most effective when it is relevant to a decision you are faced with right now.

This course covers:

- Analyzing current insurance coverage and potential needs.
- Tips for choosing an insurance carrier.
- Specialized insurance and policies you might not need.

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*[DHR.LiveWellVermont@vermont.gov](mailto:DHR.LiveWellVermont@vermont.gov).*

## INTRODUCTION

You may think the odds of something bad happening to you are small — until it happens. Having proper insurance coverage can help mitigate the costs associated with repairing and replacing property or treating medical issues from unexpected events.



### *What are the Chances?*

How common are home burglaries in the U.S.? Take your best guess:

Every \_\_\_\_\_ seconds, a home in the U.S. is burglarized.

According to the Federal Bureau of Investigation (FBI), a burglary occurs every 14 seconds.

### *How Much Insurance Do You Need?*

Without proper insurance coverage, a catastrophic event can wipe out all you've worked hard to earn and save. But if you never have to use insurance, aren't you just throwing money away? The answer is, not necessarily. The very act of having insurance can give you peace of mind, knowing that if something were to happen, your family and your assets would be protected from total loss.

Consider the following questions:

- What types of insurance coverage do you really need to protect your health and assets?
- How much coverage should you have and how much should you pay?
- How might you limit your out-of-pocket insurance expenses?
- How should your insurance coverage change when your life circumstances change?

Buying insurance is part of a broader concept called "risk management." Adequately protecting yourself, your property and your income with insurance can reduce your risk of financial losses and help you better manage your financial well-being. This course can help you:

- Assess your insurance needs.
- Understand basic types of insurance, including medical, life and property insurance.
- Recognize when to make changes in your insurance coverage.
- Look for reputable insurance agents.
- Manage your risks by making adequate insurance coverage part of your financial plan.

## GETTING STARTED



### How Does Having Insurance Help You?

Insurance is crucial to financial success. Suppose you can't get to work because of a car accident, or you become too sick to work for a long period of time. With a leaner paycheck and greater expenses, could you afford to pay your bills? Think about a recent natural disaster you've seen in the news. Do you have enough savings to rebuild and refurnish if your home were involved in such an event?

Insurance protects your dreams and everything you're working to achieve. It helps you manage risk by passing some of it along to a third party — the insurance company in exchange for the payment of a premium.

Here are three primary reasons to be insured:

1. **Things happen.** Accidents, illnesses, injuries, thefts and natural disasters happen all the time. Any of these events quickly can drain your savings and put you into debt.
2. **The law says so.** Almost all states require drivers to carry auto liability insurance that pays for medical costs, vehicle repairs and other costs. The one state that does not require liability insurance still requires drivers to show that they can provide funds to cover costs if they are at fault. And, with the [Affordable Care Act](#), all Americans (with a limited number of exemptions must either have medical coverage or pay a penalty.
3. **Lenders say so.** Your car or home can be seized by a lender if you default on your loan. Lenders don't want to lose their investment, so they insist on certain levels of coverage.



## What Types of Insurance Do You Need?

Insurance helps you manage the costs of risks you take in your life. It is a form of risk management.

You may not think of yourself as a risk taker, but even if you are not a race car driver or skydiver, you still have the risk of sickness, injury, disability, damage to property and personal liability.

There are ways to reduce your risk. For example, you can make lifestyle changes that will improve your health or install security systems to deter theft. You can cover small losses with your emergency reserve savings, but sometimes you need to transfer large financial risks to a third party by purchasing insurance.

Insurance provides protection from financial loss due to the types of risks that we all face at some time in our lives. There are a few general types of insurance protection:

- **Protect your property [vehicle, home, personal property]**

Auto and mortgage lenders insist on insurance to cover your vehicle and your home. Renters insurance covers your personal property. All of these insurances also protect you from liability claims.

- **Protect yourself and your family [health, long-term care, workers' compensation]**

Protect your family's financial future with health insurance, workers' compensation, life insurance and long-term care insurance.

- **Protect your income [disability, life, unemployment]**

Safeguard your financial savings with disability insurance, life insurance and unemployment insurance to provide income for you and your family in the case of illness, injury or death.

- **Protect others [liability]**

Liability insurance, also called umbrella coverage, protects you against injury and property damage claims from others. Umbrella liability insurance generally goes beyond the underlying liability coverage provided in homeowners and auto policies.

## HOW IT WORKS

### How Does Insurance Work?



Insurance reimburses you for unexpected losses to a specific thing (your life, a car) caused by a specific set of hazards (illness, theft).

Insurers charge you a premium (fee) for taking on this risk, but it is a small percentage of what may be paid to you when you make an insurance claim.

For example, you as the policyholder may pay \$200 each year to protect your belongings valued at \$20,000. If you experience a loss, the insurance company might have to pay up to the coverage limit of \$20,000. This seems like a no-win situation for the insurer (the insurance company), but here is what really happens:

- Insurers calculate the odds of every insurance customer's potential needs for payouts during the year.
- Each customer pays a premium, but not each customer will require a major payout; many customers will have no claims for the year.
- Customers making claims are required to pay a relatively small amount of the claim, called a deductible. This way, the customer shares the financial burden with the insurance company.

Sometimes, there are conditions in the policy that spell out what is not covered or what you must do to get payment. You may be able to purchase riders to cover additional items, such as expensive jewelry or collections. For these valuable treasures, you will want to have an appraisal from a professional source that assigns a value for the coverage amount.

Working with a reputable insurance agent is key to understanding the fine print and designing a policy to meet your needs.

## How Insurance Premiums are Determined

If you are a woman, you probably will pay more than a man for health insurance coverage in the open marketplace. If you are a man, you probably will pay more over your lifetime for auto insurance. Seniors usually pay more for car insurance than when they were middle-aged.

This may seem like discrimination, but you probably can understand the reasoning behind some of these pricing decisions. Some personal factors that affect insurance premium pricing include:



## Reduce Your Premiums

You cannot control some insurance pricing factors, but there are some that you can (and should) to help lower your premiums. [Kiplinger](#) reports some of the following factors that can raise your premiums.

- **Your credit score.** Some states don't let insurance companies use credit scores for setting premium rates, but more often people with lower credit scores get charged higher rates.
- **Your car.** A car with more horsepower can be more expensive to insure. Raising the deductible on an older car may help lower your premiums.
- **Your driving record.** A higher number of incidents can increase your car and life insurance costs. Controlling your speed will, over the long run, help reduce your premiums. And never drink and drive. A conviction for driving under the influence (DUI) or driving while impaired (DWI) can eliminate you from regular-priced insurance markets for several years. Ditto for driving and texting.
- **Your weight.** With life insurance in particular, your body mass index (a measure of body fat based on your weight and height) may factor into your premiums. [Calculate your BMI using this calculator](#) from the U. S. Department of Health and Human Services.
- **Your education level.** According to an article in [Nasdaq](#), in general, each level you go up in education can help lower your premiums.
- **Your hobbies and travel.** If you take on risky hobbies or if you travel to risky areas around the globe, you may not get preferential rates for life insurance.

Ultimately, talk to your insurance agent. Simply asking for a discount or choosing a higher deductible can save you money.





## Auto Insurance

Auto insurance covers you in case of a vehicle accident, car break-in or theft. It also covers your passengers and anyone you might hit with your car. Typically, auto insurance doesn't cover stereo or navigation systems installed after purchase, routine maintenance, mechanical breakdowns or items of value stolen from the car such as purses, wallets and smartphones — although possessions in your car might be covered by your renters or homeowners insurance.

### Six Types of Auto Coverage

There are six main types of auto insurance, each of which represents a risk in driving an automobile. They will all be priced separately on the policy.

Type of Coverage	What It Pays For
<b>Required by All States</b>	
Bodily and Property Damage Liability	Repairs and medical bills from damage you cause to other people's property and their bodies. Also covers legal bills if someone you injure in an accident sues you.
<b>Required by Some States</b>	
Uninsured Motorist	Repairs to your car when an uninsured or hit-and-run driver damages it.
Underinsured Motorist	Repairs and medical expenses when the other driver is at fault but doesn't have enough insurance to fully cover your loss.
Medical Payments/Personal Injury Protection	Medical bills for you and your passengers no matter who caused the accident.
<b>Required by Auto Lenders</b>	
Collision	Repairs for any damage you cause to your car.
Comprehensive	Repairs for damage to your vehicle caused by anything that isn't a collision. This includes natural disasters.

### Riders

Two popular add-on riders to auto insurance policies include coverage for towing expenses and a car rental when your car is being repaired. Windshield replacement often is included as well. The declarations page of your policy will give you the coverage amounts for each item.



### Purchasing Auto Insurance

Most states require insurance if you own a car, but carrying the minimum coverage amounts may not be enough. Before you drop coverage or lower your coverage amounts, consider the savings on your premiums versus the potential loss. Insurance, particularly rental insurance if your car is being repaired, can be part of your financial success plan by helping you sustain your income.

Use these ideas to help reduce premiums:

- Shop around for auto insurance, which is very competitive.
- Drive safely to lower your potential risk to the insurer.
- Insure all your cars (and other property) with the same insurance company.
- Decrease collision coverage as your car ages.
- Raise your deductible.
- Install anti-theft devices.
- Ask about available discounts for a good driving record, low mileage driving, age, etc.

### Sign Up for Roadside Assistance

Ask about emergency roadside assistance coverage. You also can compare costs and potential benefits of other roadside assistance services such as the [American Automobile Association \(AAA\)](#). At the very least, you'll want an affordable service that comes to the rescue if you:

- Get a flat tire.
- Need to jump your battery.
- Lock your keys in your vehicle.
- Run out of gas.
- Need a tow.



## Homeowners and Renters Insurance

Homeowners and renters insurance plans are classified as property insurance.

- Homeowners insurance covers your personal property inside the house. It also covers your home if it is damaged (under certain conditions) and includes liability coverage for events that occur inside your home and on your property
- Renters insurance covers only your possessions. (If you are a renter, your landlord should have insurance on the building.) It also

includes liability coverage for events that occur within your rental unit.

If you take out a mortgage to purchase a home, you will be required to purchase and provide proof of homeowners insurance. Sheds and detached garages that are not attached to the home might be covered in [“other structures” coverage](#).

### Making the Most of Home/Rental Insurance

Like any insurance policy, you should review your policy annually. Your policy should change as your needs and possessions change. Follow these ideas to make your policy work for you:

1. Make a video or take pictures of your belongings. Jot down any descriptions, notes or costs associated with the items. These steps will help you provide proof of replacement value and help jog your memory if anything is lost or stolen.
2. Make sure your homeowners policy automatically adjusts for the increased value of your home over time.
3. Find out if your property is covered for the actual cash value (current worth) or the replacement cost. Typically you will want replacement cost (the full amount of what it costs to buy something new today) rather than the actual cash value.
4. Buy riders to cover valuables such as jewelry, art, antiques or collectibles.

### *Renters: Don't Miss This Opportunity*

Renters insurance can be very inexpensive, yet many renters overlook it. You are not covered by your landlord's insurance. Take out renters insurance to cover your personal property and protect you from liability claims (i.e., damages and injuries to others within your rental unit)). The [National Association of Insurance Commissioners](#) has a helpful page of information about renter's insurance.



## Liability Insurance

Most homeowners and automobile policies carry some form of liability insurance, but sometimes this will not be enough to cover you in full.

Liability insurance provides coverage for lawsuits related to many things including dog bites, reckless driving, slips on icy walkways — even slander.

If you work as a volunteer, sit on the board of a charitable organization or provide day care in your home, you particularly could benefit from personal liability protection.

A personal umbrella policy is very affordable and provides extra insurance for your personal liability. Some policies even cover the costs of legal defense if you are sued.



## Making an Insurance Claim

If you must make a formal request to have the insurance company pay for a loss (a claim), call your insurance agent to walk you through the process.

- You may need to provide an estimate of the cost to repair or replace stolen or damaged property.
- A claims adjuster will decide if the insurance company will pay the claim and how much. Sometimes this will involve an inspection of the property — for example, when a roof has been damaged by

hail.

- Any settlement is paid according to the policy terms.



## Filing a Claim

- 1 File your claim as quickly as possible.
- 2 Find your policy numbers.
- 3 If the damage is severe (as in a storm), put a sign on your property with your address.
- 4 Document all damage (make a list of losses, take photos and video).
- 5 Save receipts for temporary repairs, materials and living expenses that occur before the adjuster sees the damage.
- 6 Keep all paperwork that your insurer sends you.
- 7 Get an independent assessment if required.



## Preparing for Disasters

A natural disaster can be a devastating blow to your finances. Use this checklist to help minimize any additional financial losses.

### Protect Your Property

- Collect your important financial documents along with your valuables. You will need them to file insurance claims, pay bills and take care of family members.
- Get a visual. Take pictures and/or video of your damaged property.
- Call your insurance agent as soon as possible to find out exactly what to do and what information is required to make a claim. Read How to Create an Insurance Claim Checklist [here](#).
- Separate damaged and undamaged items until a claims adjuster inspects them. Protect your property from further damage by making temporary repairs (such as putting a tarp over a damaged roof).
- Save receipts for repairs and temporary lodging to submit to your insurance company. If you are not fully reimbursed for these expenses, they may be tax-deductible.
- Keep copies of all correspondence with the insurance company and provide them with a detailed list of damaged property.

### *Make a Home Inventory*

One thing you can do in preparation for any kind of insurance claim is to photograph or videotape the contents of your home, including the brands and serial numbers of appliances and electronics equipment. This proactive step will make the claims process much easier in the event of a natural disaster.



### Work with Your Employer

- If you or a family member is injured, you need to begin the process of applying for any available employer-sponsored disability benefits.
- If you are caring for an injured family member, you may be able to take advantage of the [Family and Medical Leave Act](#), which continues your employer-sponsored health coverage during this time.

### *Get Ready at Ready.gov*

The Department of Homeland Security has a website called [Ready.gov](#) to help you prepare and stay informed about all kinds of unplanned events.





### Contact your Creditors

- Pay your bills on time to help maintain your credit rating. Given the circumstances, some creditors may be willing to work with you for delayed payments.
- Prioritize your bills so that you continue paying your mortgage and home insurance first. Don't let these lapse.
- Stop paying some bills immediately if it makes sense (such as utilities and cable services that you no longer can use). Check with these creditors to find out about termination and reconnection charges.

Finally, investigate tax relief. Depending on the disaster, you may be eligible for tax deductions to offset some of your losses. Also, check out low-cost loans for clean up and rebuilding.

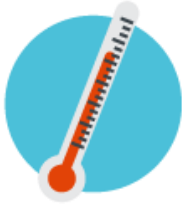
### Get Prepared

Lessen the financial blow of a disaster with *Disasters and Financial Planning: A Guide for Preparedness and Recovery*, a comprehensive guide from the National Endowment for Financial Education (NEFE), the American Red Cross and the American Institute of Certified Public Accountants (AICPA).

## Health Insurance

Health insurance helps pay your medical bills and maintain your health through preventative care and treatment when you are sick or injured.

The types of health insurance you need depend on your age and the age of your children:



Preventative care coverage (to cover regular check-ups and tests)



Hospitalization coverage



Catastrophic coverage (to cover unexpected illness and accidents)



Dental and orthodontic coverage



Supplemental health coverage



Vision coverage

## Health Insurance Terminology



Before you start comparing health insurance plans, it's necessary to have a basic understanding of some key terms.

- **Deductible.** The amount you pay before insurance kicks in. You have to pay the deductible amount every year. If you are healthy, you can save costs on your premiums by choosing a plan with a higher deductible.
- **Co-pay.** The set amount you pay upfront for a health care service, such as \$20 for an office visit with a doctor.
- **Co-insurance.** The amount you pay as a percentage of the allowed amount for a covered service. For example, 70/30 means the insurance company pays 70 percent, you pay 30 percent.
- **Out-of-pocket maximum.** The total dollar amount you may pay in one year for your out-of-pocket expenses related to health care. This does not include premiums.

### Insurance Shopping Tips

- Compare and contrast the different types of coverage available and the costs before choosing a health plan.
- Make sure you understand key insurance terms and basic principles, such as: The higher a health plan's deductible, the lower the premium or monthly amount that you'll pay but the higher the out-of-pocket costs you may owe.
- If you're still confused, put in a call to prospective insurers — it's their job to help you find the right plan.



## The Affordable Care Act

The primary purpose of the Affordable Care Act (ACA) is to increase the number of Americans who have access to affordable health insurance. The ACA connects you to insurance options in your area through health care “marketplaces.” You can sign up for insurance at [HealthCare.gov](https://www.healthcare.gov) or a [state health insurance marketplace](#) to see which plans you qualify for.

As part of the ACA:

- Medicaid was expanded in [many \(but not all\) states](#) to provide eligibility to the nation’s poorest citizens.
- Small business owners have been given tax credits to encourage them to offer health care to their employees.
- State-based insurance exchanges (marketplaces) have been set up for individuals to purchase their own insurance.
- Tax credits have been provided to certain individuals who need help paying for health care in the ACA marketplace.
- Pre-existing conditions no longer can be used to deny or charge additional amounts for health coverage.
- Children up to age 26 can be covered as dependents on parents’ plans.



## How to Get ACA Insurance

1. *Get your finances in order.* Tax returns are used to verify income in order to provide discounts and premium assistance.
2. *Learn the language.* HealthCare.gov has [a glossary of common health terms](#) to give you a basic understanding of terminology.
3. *Pick the right plan type.* Understand the options each plan offers, especially in terms of which physicians you may access.
4. *Choose the best coverage for your needs.* ACA plans are divided into four metal tiers: Bronze, Silver, Gold and Platinum (plus Catastrophic plans, for which restrictions apply). As you increase move from Bronze to Platinum,, premiums go up and out-of-pocket costs go down.
5. *Use free tools* such the [HealthCare.gov comparison tool](#) to price the actual plans available in your area.
6. *Don't get scammed.* Use the official sites to direct you to state-run, authentic marketplaces. You also can access the [ACA marketplace in person, by phone or by mail](#).

But what if you're a healthy, young person? Can't you just pay the penalty and take your chances? Well, yes, but going without health insurance can be risky. You never know when you might get in an accident, need an emergency procedure or contract a serious illness. Medical debt is the leading cause of bankruptcy, so it pays to have coverage.

### *Paying the Penalty*

If you go without insurance, you will have to pay the penalty. In 2016, the annual fee for not having insurance is \$695 per adult and \$347.50 per child under 18 (up to \$2,085 for a family), or 2.5 percent of your household income above the tax return filing threshold for your filing status – whichever is greater.



## Employer-Sponsored Insurance Plans

Many companies offer health insurance plans as part of their benefits packages for employees, sometimes even for part-time workers.

Health care plans offered by employers often are better coverage at a more reasonable price than you can buy on your own. The reason is that employers qualify for discounted group rates, and because employers usually pay a portion of your insurance costs as a “benefit” of working at the company.

## COBRA Coverage

If you are leaving a job where you had health insurance and want to keep coverage while transitioning to another job or looking for a new job, ask about “COBRA” (Consolidated Omnibus Budget Reconciliation Act of 1985) coverage.

Under COBRA, most employers (those with 20 or more employees) [must provide the option](#) for you and your dependents to continue coverage if the employee leaves or dies, divorces or has some other change in circumstances.

This gives you time to find an alternative health care plan. Keep in mind, though, that COBRA coverage will cost you more than what you paid as an employee because your former employer no longer will be contributing. You may be able to buy health insurance less expensively in a health insurance Marketplace, under the Affordable Care Act, especially if you qualify for tax subsidies.

### *Transitioning to a new job:*

- When interviewing for a new job, ask what types of insurance benefits (health, vision, dental) are offered, who the company’s insurance provider is, and how much the employer contributes to paying for coverage.
- Know if there is a waiting or probationary period before your new health insurance begins.
- Find out which procedures and prescriptions are (and are not) covered by the employer’s plan.
- Know what your maximum out-of-pocket expenses per year will be under the employer’s plan.
- If given the option, look for lower-cost coverage through preferred provider organizations (PPOs) or health maintenance organizations (HMOs).
- Keep paying on your current health plan or take advantage of COBRA coverage until your new job’s plan kicks in.



## Workers' Compensation

Each state has its own workers' compensation laws and programs. Workers' compensation, also known as workman's comp, provides payments for medical and rehabilitation expenses due to on-the-job injuries and job-related illnesses. Workers' compensation also provides disability payments if you are unable to work. The key thing to remember about workers' compensation is that it covers only job-related injuries.

If you are injured while working, notify your employer immediately to report the injury to ensure that you are eligible for coverage or compensation and have records to back up your claim.



## Medicare and Medicaid

At most jobs, you make contributions to Social Security and Medicare out of every paycheck. This allows the government to provide health insurance assistance to people who might have difficulty finding it elsewhere.

For example, every state runs a Medicaid ([Medicaid.gov](https://www.Medicaid.gov)) program which, in partnership with the federal government, offers affordable health coverage to Americans with disabilities, income-eligible pregnant women, individuals with very low incomes and

some people with children.

Medicare ([Medicare.gov](https://www.Medicare.gov)) is the federal health insurance program for people 65 and older. It also covers some people with disabilities and permanent kidney failure.

- Medicare Part A offers hospital insurance;
- Part B offers medical insurance;
- Part C combines Parts A and B and is offered by private companies that contract with Medicare; and
- Part D offers prescription coverage.

### *Applying for Medicaid/Medicare:*

- Find out about Medicaid eligibility in your state or Medicare options available to you.
- If you don't qualify, investigate other low-cost insurance options using the [HealthCare.gov](https://www.HealthCare.gov) insurance finder.
- If you still can't find coverage, visit a community health care center in your area, which will charge you on a sliding scale based on your income.





## Disability Insurance

Although often overlooked, disability insurance protects your most valuable asset – your income. This insurance pays you a percentage of your income when a health issue prevents you from working.

What are the chances that you will become disabled and won't be able to work? Complete the following sentence:

As reported by the [Council for Disability Awareness](#), “one in **eight** workers will be disabled for **five** years or more during their working careers.”

So, if you think it can't happen to your family, think again. Half of all mortgage foreclosures occur because a worker in the family becomes disabled.

## Do I Need Disability Insurance?

The leading cause of disability are disorders of the musculoskeletal system: conditions including arthritis, back pain, herniated or degenerated discs, spine/joint disorders or tendonitis. The Council for Disability Awareness offers a [chart of claim diagnosis categories](#) in regular terms with examples of common disability causes, most of which are not covered by workers' compensation.

Your chances of becoming disabled often are influenced by lifestyle choices such as:

- Smoking
- Risky activities
- Substance or alcohol abuse
- Body weight

Other hereditary or chronic factors that increase your chances of incurring a disability can include diabetes, hypertension, depression or chronic pain. Diet and exercise modifications, stress and anxiety reduction and avoidance of high-risk activities can help reduce your chances of becoming disabled, but accidents happen.

[Use this online calculator from the Council for Disability Awareness to assess your personal disability quotient \(PDQ\).](#)



### Group Disability Coverage

What percentage of private-industry employees do you think have access to employer-sponsored disability coverage?

\_\_\_\_\_ %

According to the Bureau of Labor Statistics (BLS), only **33 percent** of workers have access to employer-sponsored disability coverage.

Some employers will provide short-term and long-term disability as part of their benefits package. Group coverage is usually less expensive than individual coverage, but your

employer's plan might not cover everything you need. Here are things to look for as you review your group coverage:

- Generally, disability coverage is limited to 60 to 70 percent of your gross income. Get as much coverage as you can, possibly supplementing through an individual policy.
- Look for the term "own occupation" in the coverage. This means the company will pay benefits as long as you cannot work in your own occupation—not any occupation. For example, if you are an auto mechanic who can't work due to a wrist injury, you might be able to work a less physically demanding job, but not in your occupation.
- Review and understand the terms of the coverage, Can your policy be cancelled by your employer or the insurance provider? What limitations exist on paying benefits if you are receiving other benefits (i.e., workers' compensation)? Are the benefits taxable?



### Individual Disability Coverage

Because of limitations on group disability coverage, you may benefit from having your own individual coverage.

- Consider coverage for partial or residual disability — a kind of disability where you are able to work, but not to your full capacity.
- Look for coverage that cannot be cancelled, or a policy that is renewable — possibly with a cost-of-living adjustment.
- To cut costs, select a longer elimination period — the time you have to wait between the start of an illness or injury and when you can start earning benefits. Offset this period with your

emergency fund. [Read this article if you are considering purchasing your own disability policy and need more information.](#)



Dig deeper with SAM's **Emergency Fund Plan** course.



### Short-Term vs. Long-Term Disability Coverage

Your employer may offer short-or long-term disability insurance to provide income if you miss work because of a serious illness or disability. Though less than your full income, this amount helps pay immediate and important bills until you're back to work full time.

#### *Short-Term Disability Coverage*

After you use up any paid sick time, short-term disability (STD) coverage pays a portion of your income for a limited period — sometimes up to a year.

#### *Long-Term Disability Coverage*

Long-term disability (LTD) picks up after you have exhausted your sick leave and your short-term disability. This kind of coverage may last for a specific time or until you reach a certain age.

It's important to talk to your human resources department about disability coverage offerings, if any. Your employer may offer a type of group coverage. If they do not, you may want to seek out an individual plan to protect yourself.



## Long-Term Care Insurance

As the Baby Boomer generation ages, caring for the elderly in America is a hot topic. The rising cost of long-term care, either in your home or in an assisted living community has increased the need for long-term care insurance.

Long-term care (LTC) policies offer many different options, so it's important to work with a financial planner or trusted insurance agent to select the one that best fits your needs.

Some things to keep in mind for thinking about long-term care insurance:

- Consider LTC insurance if your estate has assets worth protecting, but you do not have enough in reserve to pay for care out of your own pocket. [Learn more about it in the AARP Article.](#)
- Benefits usually are tax-free, and premiums may be fully or partially deductible.
- Congress has closed loopholes so you cannot give away your assets in order to qualify for Medicaid. Consult a financial advisor or estate planner before giving your assets to family members.
- Choose a policy that covers all levels of care. (e.g., home health care, assisted living, nursing home)
- Read the policy, especially the exclusions, carefully.

There are differences of opinion about the best types of coverage, elimination periods, maximum benefit years and other items found in LTC policies. Be sure you consult with experts before settling on specific benefits.

To get an idea of the costs for different long-term care options in your area, use [AARP's Long-Term Care Calculator](#).

### *Social Security Disability Insurance (SSDI)*

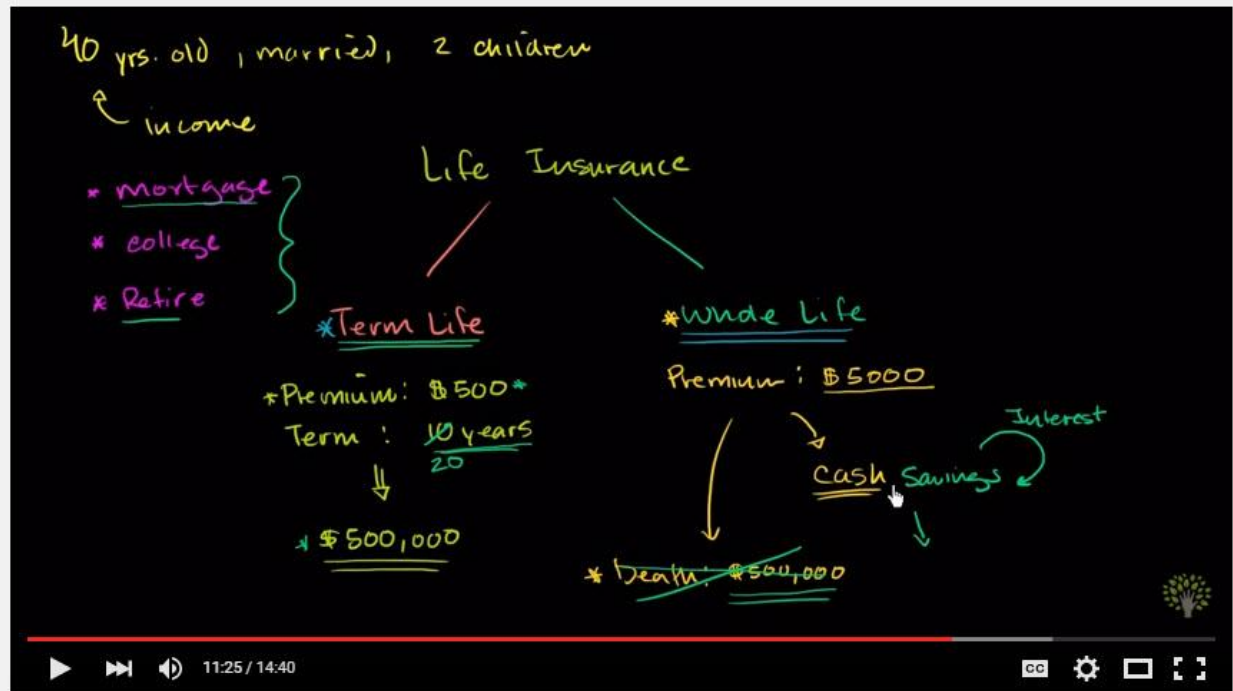
Social Security disability benefits are paid to people unable to do [substantial gainful work](#) because of a health issue. To qualify for SSD benefits, you have to have paid into Social Security for 10 years and meet a number of other criteria. Review the [Guide to Disability Benefits at SSA.gov](#).

## Life Insurance

Life insurance helps you when you have dependents (spouse, children or other loved ones) you want to provide for upon your death. Not everyone will need life insurance, and the type of life insurance you have can change as your needs change. That's why it's important to know your [goals](#) for purchasing a particular insurance policy.

Click on the image below to view this Khan video on life insurance

([https://www.youtube.com/embed/uGpLS\\_pr7oc](https://www.youtube.com/embed/uGpLS_pr7oc) )



### Term and whole life insurance policies



Khan Academy

[This video is content of the Khan Academy. All Khan Academy content is available free at [www.khanacademy.org](http://www.khanacademy.org). Neither State of Vermont nor NEFE is associated or affiliated with the Khan Academy.]



### Term Life Insurance

Term insurance is like an apartment lease. You are “renting” insurance. With term insurance, you pay a set premium on a regular basis, and your loved ones are guaranteed a set amount upon your death during that “term” for which you are covered, say 10 years. If you do not die during that term, the coverage and the amounts you have paid go away.

Buyers of term life insurance typically are interested in covering the following after death:

- Loss of income to the family
- Short-term debts or needs
- Money for raising and educating children
- Paying for a mortgage or college expenses
- Funeral and final medical expenses for the deceased family member

### Cash-Value Life Insurance

Cash-value life insurance includes whole life, universal life and variable life insurance. These policies provide a benefit upon death, along with a savings component.

Part of the premium covers the death benefit and another part goes to savings (the cash value) where earnings accumulate tax-deferred. You can access the cash value during your lifetime, but that may affect the death benefit.

Buyers of cash-value policies are interested in permanent life insurance protection. Expenses and fees heavily reduce the savings component, however, especially in the early years of the policy.



## How Much Life Insurance Do You Need?

When buying life insurance, consider these guidelines:

Let's look at [some of the calculations](#) used to determine the amount of life insurance you need:

1. You will need enough insurance to cover what your household spends (on average) each month. Use the [Expenses Worksheet](#) to track your monthly expenses. Don't guess — make sure your dependents can live comfortably each month.
2. Calculate how much of your family's spending comes from your income, when you think you will retire and how much your loved ones might expect as a return of the insurance payout to be able to make up for your yearly lost income.
3. Include what you normally save each month. If you don't currently save on a regular basis, determine an amount that your family might need in savings.
4. Consider funds your family might need for future purchases and expenses such as cars, college or retirement.

If possible, it is wise to seek professional advice from a financial planner when calculating how much life insurance you and your family might need. You also should consider inflation because the value of the dollar will erode and affect what the insurance payout can buy in the future.

## THINGS YOU SHOULD KNOW



The best way to reduce what you pay for insurance premiums is to shop around, but sometimes high-pressure sales tactics and the fear of not being protected lead you to make costly insurance decisions.

### Selecting an Insurance Company

When you need to select an insurance company, be sure to check out the credibility and reliability of several companies before making a choice. It's perfectly acceptable to seek out multiple rate quotes when you are looking for insurance companies.

1. Use the [National Association of Insurance Commissioners' website](#) to check if the company is licensed in your state. Check for complaints and whether the claims are serviced promptly.
2. Check the insurance carrier's ratings by independent rating services such as [Standard & Poor's](#), [Moody's](#) and [A.M. Best](#).

Wide fluctuations or consistently low ratings should be a red flag.



## Insurance Agents and Brokers

When using an insurance agent or broker to purchase insurance, don't be rushed into making decisions and be sure the decisions you make will be right for you when you need the policy to pay.

**Agent.** An insurance agent is someone who works between you and the insurance company. Some agents will work for one company; others will work independently for several companies. When you work with an agent, you need to have an idea of what coverages you need.

**Broker.** An insurance broker is required to have a broker's license and often will be more educated and experienced than agents. A broker will analyze your needs and offer a range of different products from different companies. Often there is a fee associated with this higher liability.

### Tips for Selecting an Agent or Broker

The right agent or broker could save you money and help you get the best coverage, so be careful who you choose to help you. Personal connections can help narrow the field. Ask family and friends if they have worked with a particular agent, broker or insurance company they would recommend.

When interviewing potential agents or brokers, ask:

- ✓ Which companies' products can the agent or broker offer?
- ✓ How long has the broker or agent been in the insurance business?
- ✓ Can the agent or broker provide references from other clients?
- ✓ What discounts apply?
- ✓ How is the agent or broker paid? (This is important because you may be charged a fee.)

As with anyone you hire to help you, make sure the agent or broker is interested in your needs. Insurance policies are not one-size-fits-all. You want to work with someone who understands your goals and will not try to sell you something you don't need.

[The National Association of Insurance Commissioners offers a map to help you locate state insurance departments for company and agent licensing information.](#)



## Annual Insurance Review

When was the last time you shopped for car insurance from agents or companies other than your current provider?

- Within the last year
- Within the last five years
- Never

**According to the [Consumer Federation of America](#), “... 24 percent of drivers never shop for auto insurance, 34 percent rarely shop and 16 percent only shop every few years.”**

Review your insurance coverage annually. Keep the following records on file so that you will be better prepared to talk about your needs when you go for an annual review.

- Current and past insurance policies
- Premium statements
- Medical bills you’ve paid
- Up-to-date inventory of your personal assets
- Documentation for claims you’ve filed

It pays to shop around for insurance every year or two. Changes in the industry, your insurer, the laws and your situation may make coverage elsewhere a better deal for you.

Contrary to what you might think, [even when you stick with your car insurer out of loyalty, your rates can be increased.](#)

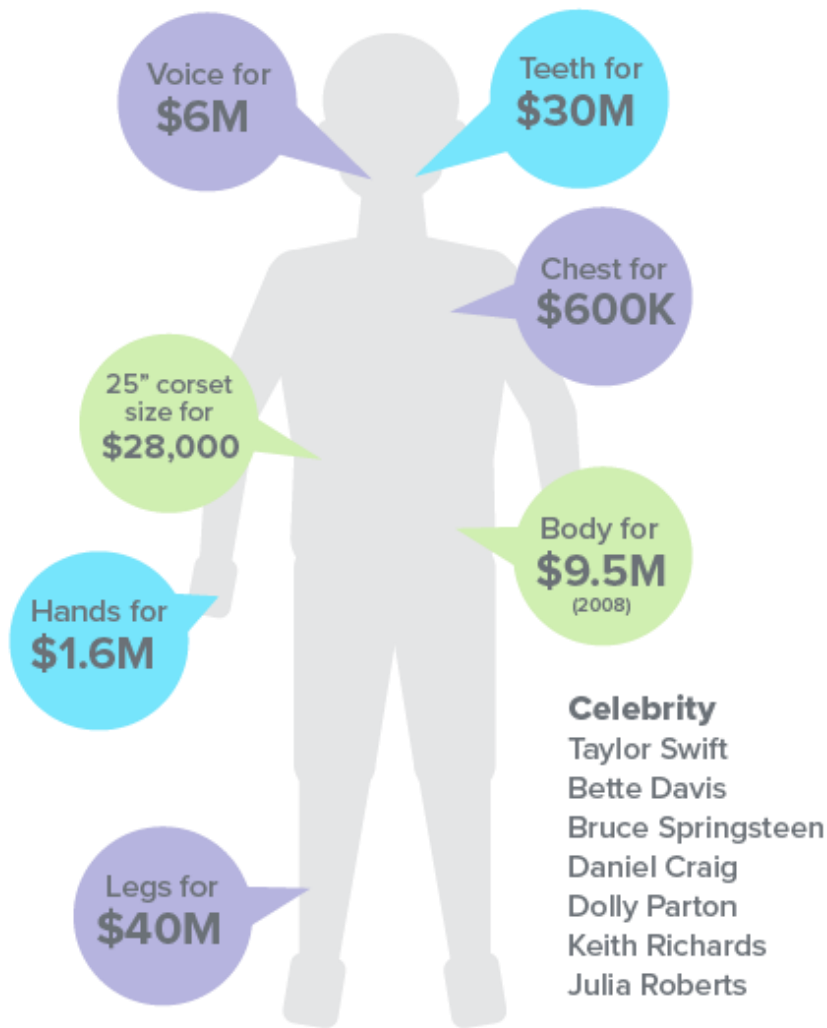
### Are You Covered?

Read your homeowners (or renters), medical, life and car insurance policies in detail. Find out what is covered, what isn't covered, the coverage limit and any responsibilities you have to keep the coverage. Use this form to keep track.

	<b>Homeowners/ Renters</b>	<b>Medical</b>	<b>Life</b>	<b>Car</b>	<b>Umbrella</b>	<b>Disability</b>	<b>Long-Term Care</b>
Policy number and type							
Description of coverage							
What isn't covered							
Coverage limit							
Conditions for coverage							

## Which Celebrity Insured This Body Part?

Match the celebrity to the body part and special insurance he or she took out to insure it.



[Source: PropertyCasualty360°]

Celebrity	Body Part
Taylor Swift	Legs for \$40 million
Bette Davis	25-inch corset size for \$28,000
Bruce Springsteen	Voice for \$6 million
Daniel Craig	Body for \$9.5 million (2008)
Dolly Parton	Chest for \$600,000
Keith Richards	Hands for \$1.6 million
Julia Roberts	Teeth for \$30 million

Specialized insurance policies are available for almost anything you want to insure. Consider these situations:

- Have you recently purchased a refrigerator, cellphone or large electronic item? Were you asked if you wanted “extended coverage” to protect your purchase?
- Do you have insurance to cover pets’ vet bills? Or what if your dog bites your neighbor’s dog? Can you be sued?
- Are you booked on a cruise in the Caribbean? Did you purchase trip insurance?
- What if you rent a car while you’re on vacation ... do you need the insurance the rental company offers?

Essentially, these types of policies make you compare the costs and value of paying for insurance to covering costs with your own money if something happens.

Some types of insurance are required by law, by employers and by lenders, while some professions, such as physicians and contractors, have liability coverage requirements. But when it comes to specialized insurance coverage, you can keep money in your pocket if you know what coverage already exists in your current policies.

#### *Did You Know?*

Many consumer credit cards offer some type of insurance if you rent a car using their card, but you may have to refuse the coverage offered by the rental company. Before you rent, call your credit card company to find out more. Also call your property and casualty insurance agent. Car rentals may be covered by your auto insurance policy.





## Insurance to Avoid

The Consumer Federation of America (CFA) [reports in this article](#) that many “add-on” insurances are not worth the purchase. This is because the insurance is either unnecessary or the amount you pay contains kickbacks to the seller.

Ask yourself these questions before buying add-on insurance:

1. Do I really need this insurance?
2. If I do need it, do I already have this coverage in an existing insurance product such as home, health, life or auto insurance?
3. Are there other less costly ways to get this coverage?

CFA suggests four types of insurance that you probably want to avoid or look into with more detail before purchasing. Which of these add-on insurances have you been asked to buy? Check off any that apply:

- ☐ **Credit insurance or debt cancellation insurance** – This pays off your debt in case of death, illness, injury or loss of job.

You may not need this if you have adequate life or other insurance to pay off debts. Typically these policies pay less than 50 percent of the premium you pay in because of kickbacks paid to the seller.

- ☐ **Title insurance** – This guarantees the title to a home is free from any other ownership claims.

This type of insurance is important for the buyer, in particular, but be careful before accepting any title insurance company offered by a real estate agent, company or lender. Kickbacks may drive up the price. It's important to shop around before purchasing title insurance.

- ☐ **Travel insurance** – This covers your costs in case your travel plans are interrupted.

Travel agents often are paid a commission for selling travel insurance. You may not need this if you have coverage through life insurance (in case of death) or homeowners insurance (lost luggage).

- ☐ **Rental car insurance** – These policies cover you if you have a collision in a rental car.

Most car insurance plans already cover you when you rent a car. Also, using your credit card to rent a car may carry coverage. Check your car insurance policy and credit card before agreeing to purchase this insurance.

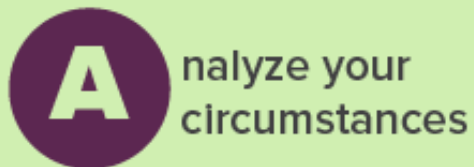
## MAKE A "SAM" PLAN



Use the SAM action steps to analyze your current investing situation and take purposeful steps toward identifying or making changes.



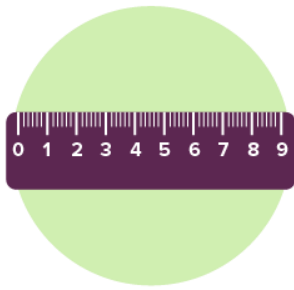
Would you be covered in the case of a natural disaster, injury, accident or other catastrophe?



Considering your assets and your family's needs, what would be the right coverage to have and in what amounts? Are there places where you are paying too much for insurance?



Set intentional goals to improve your insurance situation.



## Size Up Your Situation

Think about your comfort level with the decisions you've made to this point related to insurance. Rate yourself on the following:

- What is the level of risk in your life?
- Do you or family members have health needs that must regularly be addressed?
- Do you engage in risky hobbies or behaviors?
- How confident are you that you could cover financial losses from a catastrophic event?
- Do you worry that you would be financially stressed in the event of a disaster?
- How much do you have in emergency savings to cover mishaps or medical costs?
- For what period would your savings cover your expenses?
- How satisfied are you with your current insurance company, agent or plan(s)?
- Would an adjustment to any one of these save you money or make you feel more secure?



## Analyze Your Circumstances

You have big dreams and hopes for your future, but everything could be lost if you aren't protected from the occasional bad turn of events. Insurance is a convenient and affordable way to get protection. It helps you get back to the financial condition you were in before you had a loss.

Before you purchase or adjust insurance plans, ask yourself:

- What types of coverage you need
- How much you can afford to pay each month
- What deductible you can afford comfortably
- Who you trust to help you make insurance plans and give you guidance



## Make Your Insurance Plan

Use the DECIDE decision-making model to help you choose the right insurance plan for you.



## DECIDE Steps

- 1** **DEFINE** the problem.
- 2** **ESTABLISH** your criteria.
- 3** **CHOOSE** a few options that match your criteria.
- 4** **IDENTIFY** and compare the pros and cons of each option.
- 5** **DECIDE** the most logical option for your situation.
- 6** **EVALUATE** the results and make adjustments for next time.

		<i>Example</i>
Define the Problem	Be as specific as possible with insurance goals.	<ul style="list-style-type: none"> <li>• <i>"We need a health plan for a family of four that fits within our monthly budget."</i></li> </ul>
Establish Your Criteria	What are the features you absolutely must have in your insurance policy?	<ul style="list-style-type: none"> <li>• <i>"We need a life insurance policy that offers a lifetime of coverage with steady payments."</i></li> <li>• <i>"We need home, auto and health insurance to at least meet minimum requirements of the law and our lenders."</i></li> </ul>
Choose Options	Narrow down your list to two or three different insurance plans or insurance vendors.	<ul style="list-style-type: none"> <li>• <i>Company A</i></li> <li>• <i>Company B</i></li> <li>• <i>Company C</i></li> </ul>
Identify Pros and Cons	Make a chart so you quickly can compare the features and prices of each of your top two or three insurance choices.	<ul style="list-style-type: none"> <li>• <i>"Company A has better auto rates."</i></li> <li>• <i>"Company B will work with us on disability insurance."</i></li> <li>• <i>"Company C offers the most competitive rates over all."</i></li> </ul>
Decide	Choose the insurance plan that best matches your criteria.	<ul style="list-style-type: none"> <li>• <i>"After looking at reviews and customer complaints online, Company C is cheaper, but has a poor customer service record."</i></li> <li>• <i>"Company A seems to be the best choice right now."</i></li> </ul>
Evaluate	Make a plan to regularly check on your insurance coverage.	<ul style="list-style-type: none"> <li>• <i>"I will make a calendar reminder to reassess all our coverage in a year."</i></li> </ul>

## INSURANCE RESOURCES



victims of domestic abuse

Are you in an insurance crisis? Or maybe you're just looking to go deeper into this topic? There are many free and low-cost resources available to help you. Here are a few:

### 2-1-1

Just as you would call 9-1-1 in an emergency, you can call 2-1-1 ([www.211.org](http://www.211.org)) from anywhere in North America using your phone or computer to speak to a specialist in your community who can help you find a variety of free services including:

- Disaster and emergency help
- Housing and food assistance
- Employment and education opportunities
- Help starting a business
- Help for special groups such as veterans and

### Insurance Information Institute

Find insurance statistics and a glossary of common insurance terms at [www.iii.org](http://www.iii.org).

### National Association of Insurance Commissioners

Find consumer guides at [www.naic.org/index\\_consumer.htm](http://www.naic.org/index_consumer.htm) and information on insurance scams.

### Affordable Care Act Insurance

Determine eligibility and find insurance under the Affordable Care Act at [www.Healthcare.gov](http://www.Healthcare.gov).

### Coverage for All

Take a health coverage eligibility quiz at [www.CoverageForAll.org](http://www.CoverageForAll.org).

### U.S. Department of Health and Human Services

Get basic health insurance information at [www.hhs.gov/programs/health-insurance/index.html](http://www.hhs.gov/programs/health-insurance/index.html).

Visit [LongTermCare.gov](http://LongTermCare.gov) for information on caring for aging family members or preparing for your own long-term care, including what is covered by Medicare/Medicaid.